

Item No. 10.	Classification: Open	Date: 17 November 2015	Meeting Name: Cabinet
Report title:		Quarter 2 Capital Monitoring for 2015/16 and Capital Programme Refresh for 2015/16-2024/25	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Fiona Colley, Finance, Modernisation and Performance	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE

This quarter's capital monitor provides, as usual, an update and progress report on the delivery of our £2 billion 10 year capital programme. Within the report you will find an update from each department covering their projects.

Our capital investment programme is delivering on so many of our Fairer Future promises such as our Warm, Dry and Safe council housing upgrades, building 11,000 new council homes, ensuring every child has a local school place and delivering new libraries and leisure centres.

I'm particularly delighted that this month we have seen the completion of one of those key capital commitments – a new library for Camberwell. The new library is simply amazing and a massive improvement on the previous facilities. It is a £3.7m investment that Camberwell thoroughly deserved.

RECOMMENDATIONS

That cabinet:

1. Notes the general fund capital programme for the period 2015/16 to 2024/25 as at Quarter 2 2015/16, as detailed in Appendix A and D.
2. Notes the housing investment programme for the period 2015/16 to 2024/25 as at Quarter 2 2015/16, as detailed in Appendix B.
3. Approve the virements and variations to the general fund and housing investment capital programme as detailed in Appendix C.
4. Notes the projected expenditure and resources for 2015/16 and future years for both the general fund and housing investment programmes as detailed in Appendices A, B and D as at Quarter 2 2015/16 and this position will be updated during the year and the budgets re-profiled accordingly at Quarter 3 when more up to date information is available.

BACKGROUND INFORMATION

5. The scale of the capital programme being managed within the council is immense and with a total forecast spend of nearly £2 billion the capital

programme represents a major element of the council's financial activities. It has a significant and very visible impact on the borough and hence on the lives of those who live, learn, visit and or do business in the borough.

6. The quarter 1 2015/16 capital monitor report indicated that expenditure of £14.1m had been incurred on the general fund capital programme against a budget of £119.5m. This represented a spend of 11.8% to budget as at quarter 1 and a favourable variance of £1.5m was projected against the budget for the year at that point.
7. The quarter 1 2015/16 capital monitor report also reflected a spend of £24.7m on the Housing Investment Capital programme against a budget of £356.8m which represented a spend 6.9% against the budget for the year.
8. Due to the size and scale of the capital programme and the number of projects involved, it is inevitable that unforeseeable delays can occur which lead to some variations against planned spend. Historically the capital programme has been over programmed in year to compensate for these variations, whilst retaining a balanced programme overall.
9. The capital programme is subject to on-going review by service managers and the quarter 1 2015/16 capital monitor report noted that some of the expenditure forecast will need to be updated as the capital schemes progress through the year and it is expected that further re-profiling of budgets will be required when more up to date information is available.
10. This report sets out the current profiled budget and forecast outturn position for 2015/16 for the General Fund and the Housing Investment Programme (HIP).

KEY ISSUES FOR CONSIDERATION

General Fund Capital Spend

11. The quarter 2 capital monitor report indicates that expenditure of £25.8m incurred at quarter 2 against a re-profiled budget of £125m for 2015/16 showing a spend of 20.6% to budget on the general fund capital programme. The summary position and the programme details by departments are reflected in Appendices A and D respectively.

Housing Investment Programme Spend

12. The total re-profiled budgets on the Housing Investment Programme for 2015/16 is £352.6m and the expenditure incurred at quarter 2 is £72.9m, indicating a spend of 20.6% to budget. The majority of the expenditure on the Housing Investment Programme relates to the numerous works on the Warm, Dry and Safe programmes which is forecast to spend £185m in 2015/16. Details of the schemes and budgets within the Housing Investment Programme are reflected in Appendix B.

Resource implications

13. The council's capital resources are comprised of the following:
 - capital receipts from disposal of property
 - grants

- external contributions
 - section 106 and Community Infrastructure Levy (CIL) contributions
 - housing major repair reserve
 - contributions from revenue
 - contribution from reserves
 - internal borrowing
 - external borrowing.
14. The capital programme is influenced by resource timing and availability. Over the life of the programme, all commitments must be met from anticipated resources. The final funding requirement will be based on the final actual expenditure, and will seek to maximise the use of grants and other funding sources, prior to the use of capital receipts. Regular monitoring and formal reporting regulates the programme and mitigates cash flow and funding risks and officers undertake regular reviews as part of the process for preparing quarterly monitors to assess income to date, forecasts and changes.
15. Each department forecasts its programme as accurately as possible to minimise the need for re-profiling. Where this does occur, the requirement is flagged as early as possible and budgets re-profiled in line with anticipated spend. Given the general complexity of capital projects, it is common to see some variation in the profile of the actual programme against the forecast. The impact of this is mitigated through regular formal monitoring, departmental reviews and access to a resource base wide enough to cope with change.
16. In developing and managing its capital programme the council has to maintain clear control on the selection and use of resources to finance capital expenditure. Strategies for investments, borrowing and treasury management facilitate this control and assist the council to have clear strategic direction on its use of resources, to identify new resources or to make changes to the use of resources at an organisational level as projects complete or new projects appear.

Section 106 and Community Infrastructure Levy

17. The 2015/16 quarter 1 monitor report to cabinet explained Section 106 (S106) agreements, otherwise known as planning obligations, and the Community Infrastructure Levy (CIL) as two of the sources for funding the capital programme.

Contributions from Earmarked Reserves

18. Reserves are funds set aside from favourable variances in the revenue and capital budgets. They can also be planned contributions to meet contractual commitments or future expenditure plans which may include risks or liabilities that arise at a later date. The three reserves which have relevance for funding the capital programme are outlined below:
- modernisation reserve supports one-off expenditure or multi-year projects designed to modernise and further improve the operational efficiency of Southwark's service provision.
 - the regeneration and development reserve funds one-off expenditure and multi-year projects delivering regeneration and development across the

borough. Relevant projects include the Aylesbury Estate Regeneration, Canada Water, and Elephant & Castle Regeneration.

- compliance and planned preventative maintenance reserve which may be used to support activities upgrading the wider council estate in line with legislative and/or preventative maintenance requirements.

Capital Receipts

19. The council operates a ten-year disposals programme and the planned disposals generate capital receipts which the council can use as a funding source to finance capital expenditure.
20. The disposals programme is subject to ongoing review by officers to mitigate the risk of funding unavailability due to timings or amounts received in year. The capital receipts forecasts together with other sources of funding will be monitored on a regular basis to ensure adequate funding for the capital programme. In the event that in-year funding generated by disposals is insufficient to meet the level of expenditure, alternative short term sources of funding may need to be accessed or projects deferred or re-profiled. Short term sources of funding include use of earmarked reserves and/or accelerating the disposals programme.

Capital Grants

21. The council uses of a range of grants to fund capital expenditure and the grants tend to be programme or project specific with each grant having some form of conditions.
22. Grants may be provided as a sole funding source, or as one of several funding sources depending on project requirements. In each case, funding conditions are met to demonstrate that grants have been applied for the purposes given and audit trails are maintained.

Resourcing to Quarter 2 2015/16

23. As at quarter 2 2015/16, capital receipts of £11.9m and £15.8m had been received from the general fund and housing receipts respectively for the financial year 2015/16.
24. At the end of quarter 2 2015/16, 28.7m other income had been received including £4.3m of education related grants and £22.2m secured through S106 and CIL agreements.
25. The above resources will be monitored and applied as appropriate to schemes in 2015/16.

Programme position at Quarter 2 2015/16

26. Attached at Appendix A is a summary of the general fund programme position as at quarter 2 of 2015/16. This shows a total expenditure budget of £575.9m budgeted over the programme from 2015/16 to 2024/25.
27. Attached at Appendix B is a summary of the housing investment programme position as at quarter 2 of 2015/16. This shows a total expenditure budget of

£1,391.1m over the programme from 2015/16 to 2024/25.

28. Appendix C shows the budget virements and variations arising in quarter 2 of 2015/16 for approval by cabinet.
29. Appendix D shows a more detailed view of the general fund programme on individual projects or groups of projects over the period 2015/16 to 2024/25.
30. This programme position will continue to be monitored and reviewed over the remainder of the financial year and the final outturn position will be reported to cabinet.

Departmental Updates

31. The sections below provide commentary on the budget position by departments for 2015/16.

GENERAL FUND (APPENDIX A)

Children's and Adult Services

32. In summary, the capital programme across Children's and Adults Services for the period 2015/16 to 2024/25 at quarter 1 was £164.1. There is a programme of major refurbishment at the Anchor Trust properties and it is requested that £1.1m is added to the capital programme for 2015/16 and funded from earmarked revenue reserves held for this purpose. This makes a revised total programme of £165.2m. The revised annual budget for 2015/16 was £49.1m and the expenditure incurred at quarter 2 was £5.1m. The forecast expenditure for 2015/16 is £29.7m following a proposed £15.6m re-profiling of the schools expansion programme and re-profiling £3.5m on adult's Services properties.

Children's Services

33. The revised capital programme for 2015/16 to 2024/25 is unchanged from quarter 1 at £144.7m. The annual budget for 2015/16 is £43.2m. The expenditure incurred for quarter 2 was £4.7m. The forecast for the current year has been re-profiled to £27.3m due to the additional time incurred in addressing the cost pressures of the expansion programme.
34. The main areas of expenditure for 2015/16 will be:
 - £800,000 for 2 year old places
 - £4.5m schools maintenance programme
 - £600,000 temporary expansion, and
 - £21.6m on permanent expansion.
35. As the main expansion programme is progressing with enabling works, designs and main contract tenders, there are a number of cost pressures arising. The main reasons are construction industry inflation associated with a high volume of construction in London and the south east. Contractors are required to demonstrate that they are achieving competitive value for money prices. .
36. The total cost of the programme for 2015/16 to 2018/19 is now forecast to be £115m. This is mainly due to the insurance requirement to fit sprinklers to some new buildings, specific site abnormalities including land contamination, works to

listed buildings and the requirements of Transport for London. The re-profiled programme can be contained within the existing identified budget.

37. Further to the forecasted shortfall of secondary places from 2017/18 onwards, £2.5m has been earmarked for one form of entry at St Michael's Academy in 2017/18 to support the development, with £4m of grant that has been awarded directly to the Academy following a bid.

Adults' Services

38. The capital programme for the period 2015/16 to 2024/25 at Q1 was £19.4m and the annual budget for 2015/16 was £4.8m. Appendix C reflects the request to add £1.1m to the current year's programme funded from revenue reserves set up for the refurbishment of the Anchor Trust properties. This makes the revised programme £20.6m and the budget for 2015/16 of £5.9m. The forecasted expenditure for 2015/16 is now £2.4m reflecting the re-profiling of the fit out of Half Moon Lane, Orient Street and the Brandon Trust properties. The expenditure incurred for quarter 1 was £300,000. The main works in 2015/16 include major refurbishments at the Anchor Trust properties, re-profiled works at Orient Street and the Brandon Trust properties and the expansion of the Telecare service

Southwark Schools for the Future

39. The capital programme for the period 2015/16 to 2024/25 is £38.4m and the revised annual budget for 2015/16 is £2.7m with the total forecast expenditure at £2.1m as a result of re-profiling of budgets for ICT and council retained liabilities. The expenditure for quarter 2 was £700,000. Forecast expenditure in 2015/16 will be on ICT equipment, lease payment for Highshore and retention on completed schools.
40. The final stage of the SSF programme will be SILS KS3/4. A budget of £8m has been earmarked for this purpose whilst plans are being drawn up. The costs budget can be contained within the existing identified programme budgets.

Finance and Corporate Services

41. The capital programme for this department continues to focus on two key areas: Information technology infrastructure projects and premises-related improvements to the council's operational buildings. The total departmental capital programme stands at £55m of which £10.1m was set to be delivered in 2015/16. However since quarter 1 the forecast spend this year has reduced to £6.5m.
42. Information technology remains a key component to the council's ability to successfully deliver services efficiently and effectively going forward. As reported at quarter 1, over the next ten years the council will continue to update and improve the IT infrastructure and networks with spend this year expected to be in the region of £2.8m. Work is also continuing on the implementation of the new social care system.
43. Facilities management will over the next ten years deliver a comprehensive planned preventative maintenance and compliance programme for the assets and fabric of the operational estate that fully supports the delivery of front line services. Programme spend in 2015/16 is expected to be £2.7m, compared to

£4.3m reported at quarter 1 reflecting the slippage of certain projects into the early part of 2016/17 which is not exceptional given their nature and size. In addition to this, works continue on the re-instatement of Walworth Town Hall, which was significantly damaged by fire in March 2013 with spend of £876,000 to the end of quarter 2.

Environment & Leisure

Summary

44. The total value of the departmental capital programme for the period 2015/16 to 2024/25 is £129m. The latest projected spends for the year is estimated to be £24.9m against the latest capital budget for 2015/16 of around £28.2m. The overall net variance which arises from re-profiling of the expenditure is proposed to be carried forward into 2016/17.
45. The forecasts of projects in the departmental capital programme for 2015/16 and future years have been reviewed for their robustness and some budgets have been re-profiled, as appropriate.
46. The progress of major schemes is outlined below.

Public Realm

47. The Highway Asset investment programme (non-principal and principal roads) is programmed for full spend.
48. The Cleaner Greener Safer (CGS) programme is programmed to spend £2m and deliver 200 projects.
49. The cycle infrastructure fund is forecast to spend £100,000 on scoping and design work for the Southwark Spine. This is a reduction from the previous forecast of £250,000 and reflects the prioritisation of TfL-funded routes where funding is more tightly time-limited. The 20mph programme is on course to spend £186,000 this financial year on surveys, preparation and design work for further physical interventions in 2016/17.
50. The implementation of the cemetery strategy continues to create further burial spaces and make associated infrastructure improvements. The main focus this year is on the completion of the lodge refurbishment works and the replacement of one of the cremators. Subject to planning approval the implementation of works at Area D1 should also take place this year and works to Area Z in Camberwell Old Cemetery should start, plus the Underhill Road Boundary work.
51. The Southern Entrance project at Burgess Park is the most significant project that will be progressed as part of Phase 3 of Burgess Park improvements this year. The projected spend in this financial year is £952,000 as compared with the budget £1.3m. The variance of £341,000 will be profiled to the next year.
52. The Parks Infrastructure and Investment improvements will continue to include urgent health and safety works such as lighting improvements, wall repairs and drainage work whilst we work on the asset data capture project which will ultimately lead to Parks Infrastructure Asset Management Plan. The asset data capture project is progressing with stage 1 completed (methodology agreed). The programme is projecting to spend £850,000 in this financial year as

compared with the budget £1.2m. The variance of £360,000 will be profiled to the next year.

Culture, Libraries, Learning & Leisure

53. The £550,000 refurbishment of Peckham Library has been completed.
54. Works to phase one of the Soutwark Athletics track recommenced at the end of June following sign off of planning conditions. The works have progressed well and are on budget. They will be complete by the end of November 2015 (subject to weather conditions). Plans for phase two (building refurbishment) are currently being developed with the main spend forecast for the first quarter of the new financial year, in line with the spending profile.
55. The Peckham Pulse capital works, which included the redecoration of the pool halls, the replacement of the pool hall air handling unit and the re-grouting of the pool wet side floor tiles, were completed in quarter 2. The pool halls re-opened in May 2015. Work on the Pulse building management system, metering and lighting works will be completed by end of March 2016 with further improvements currently at design stage. The programme is projecting to spend as per budget of in this financial year.
56. The works at Seven Islands will commence once asbestos works have been completed. It has been agreed the most appropriate time to start pool pipe and valve replacement works will be in January 2016 when the pool hall closes for other refurbishment works. The programme is projecting to spend as per budget of £1.0m in this financial year.

Housing Renewal

57. The Brayards Road Improvement Zone group repair scheme is well underway, with the first phase of 13 units 50% completed. The majority of the properties to be completed in the first phase are council owned properties. The project will provide health and safety repair works and environmental improvements to 53 street properties of mixed tenures. The bulk of project expenditure is expected in quarters 3 and 4.
58. The Disabled Facilities Grant (DFG) programme has to date approved schemes costing £552,000. The unit is on track to meet the target of 95 completions this year, delivered on budget. The greater part of DFG expenditure usually occurs in quarters 3 and 4, when most of the schemes are completed. The 2015/16 DFG subsidy allocation of £613,700 has been received via the better care fund.

Environmental Services

59. The energy strategy team and corporate facilities management are currently working together to finalise the programme of investment for 2015/16's carbon reduction programme, with energy surveys taking place during September and October to identify required energy efficiency improvements. The confirmed programme is expected to be in quarter 4 2015/16.

Chief Executive's Department

60. The current value of the capital programme for the department over the 2015/16 to 2024/25 period is £187.1m, and includes funding confirmed since the last

quarterly report was presented to cabinet, of an additional capital budget of £3m, of which £1.4m is funded by TfL, £1m of funding agreed by cabinet for Tate Modern extension and the balance of £600,000 derived mainly from new s106 allocations and external contribution.

61. Performance in 2015/16 has been steady with expenditure of £12.8m at the end of quarter 2 against full year budget of £33.4m, and forecast spend of £30.2m. The favourable variance of £3.2m between the full year budget and forecast is a result of rigorous and robust review of planned expenditure and the subsequent re-profiling of some projects into future years.
62. This year, the council secured approximately £9m in funding from Transport for London (TfL). More than half of this is from the Quietways funding to continue the programme of improved cycle routes started in 2014. The key areas for improvement this year include pedestrian and cycle improvements at Crystal Palace Parade, completion of public realm improvements in the areas of Bellenden, Brayards and Coleman Road and the delivery of a significant number of cycle parking spaces. The major investment in Camberwell Town Centre public realm is on-going and will continue into the next financial year.
63. The regeneration of Camberwell under Revitalise5 Programme is on-going with the completion of the new Camberwell Library and Plaza which opened in November 2015. Camberwell now has a fantastic new modern library that provides a welcoming, accessible and more pleasant environment, set in a new Plaza. The library is fully stocked with new books, films and music. Visitors can read, relax, browse the web and spend some time studying. They are also able to participate in a reading club, attend parent and toddler groups. The library is open seven days a week and also provides access to a range of council services in the heart of the borough and there is also space available for hire to external organisations.
64. The improvements to Camberwell Green which include planting trees, wildflower meadow, a new play area and a market square have commenced. The revitalised and much improved Camberwell Green will re-open next summer.
65. The first Pocket Space, Datchelor Place, is complete and is now a highly pedestrianised area, creating opportunities for outdoor sitting and serves as the temporary home for the Urban Farmers markets.
66. Work is progressing on the detailed designs for the remainder of the Pockets Spaces, all of which are due for completion by summer 2016. Work to agree the detailed designs for the town centre Streetscape project is also on-going. This will create a safer space for all users and is expected to be delivered from summer 2016.
67. A number of public realm and environmental improvements projects are currently underway and will complete by the end of this financial year. These include the environmental improvements and traffic calming in Hadfields working with partners at Lambeth Council; works to the community garden at All Hallows; the comprehensive remodelling of the triangle site at Queen Elizabeth Street which includes the refurbishment of Samuel Bourne Bevington (a grade 2 listed statue); and the cleaning, refurbishment and lighting of three tunnels by Dockley Road.
68. A further programme of projects is currently under development for delivery later this year. These include the environmental improvements of Queens Road,

Peckham; a series of small scale projects in Meeting House Lane and the environmental improvements on Brayards Road. These three projects are the culmination of the Area Renewal programme.

69. Other projects being developed include the Albert McKenzie memorial on Tower Bridge Road and the shop front programmes on Harper Road, East Street, Walworth Road and Lower Road.

Housing General Fund

70. The total value of the housing general capital programme is £1.4m and details of the projects are provided below.
71. Waddling St - The Guinness housing scheme started on site in May 2014. This is the final Elephant & Castle replacement housing scheme.
72. Ilderton Rd - Gypsy & Travellers site - Negotiations are on going with Network Rail concerning the stability works to the embankment.

Housing Investment Programme (APPENDIX B)

73. The total value of the Housing Investment Capital Programme for the period 2015/16 to 2024/25 is £1,391.2m. The forecast spend in 2015/16 is £303.9m against a revised budget of £352.6. The variance of £48.7m is re-profiled into 2017/18. The section below provides commentary on the major areas of activity across the various capital projects within the Housing Investment Programme.

HIP - Warm Dry and Safe

74. £100m was spent in 2014/15 on warm dry and safe, ahead of the £90m original forecast, bringing total spend to £283m. At the start of the year the WDS programmes were estimated to spend £200m with projects now being committed against the £985m capital bid allocation. At the end of quarter 2 £48.5m has been spent and current forecasts are showing estimates of around 92.5% of the £200m will be spent. The programme has consistently met or slightly exceeded the annual estimate. This year is likely to be highest investment in existing stock in the council's history. The WDS programmes will be fully committed, with a few exceptions, by March 2016 and a 90% decency target has also been set for March 2016.
75. The 2 year programmes are now complete. A total original provision of £76m was made for the two year programmes, carry over schemes and the original FRA works within the original WDS budget. The final outturn is expected to be around £82m for delivering these schemes.
76. All the WDS 2012 major works schemes are completed or on site. The remaining two schemes on site are expected to complete in 2015/16.
77. Nine of the twelve WDS 2013 major works schemes are committed, with 5 achieving practical completion. A further batch of street properties is due to start in 2015/16. Tustin is delayed but is being developed into a wider scheme, refurbishment works are due to start in 16/17. Acorn delayed pending regeneration works but is due to start in 2015/16.
78. 37 of the 40 WDS 2014 major works schemes are committed, with 17

completed. Portland Estate requires major structural works but due on site in 2015/16) and D'Eynsford Estate externals on hold pending district heating works. Crane House structural works will be starting in 2015/16.

79. 53 of the 98 WDS 2015 major works schemes are on site or completed. 18 have been completed, with the remainder starting in 2015/16 with the exception of Caroline Gardens.
80. The trend of schemes requiring more resources than the original 2010 stock condition survey estimate has continued, meaning that the existing WDS budget is effectively committed with resources for now being allocated from the £985m approved budget on the Housing Stock Programme to complete the programme of works.
81. Following the manifesto commitment to deliver a kitchens and bathroom programme, a programme is being put together to be delivered alongside the major works programme for 2015/16. Costs have been included in the capital refresh for 2015/16 and are currently estimated to be £15m for the current year, revised down from the earlier £20m estimate.
82. There are a number of potential funding streams that can contribute to or reduce the commitment for extra resources for this programme. A successful bid was submitted for Decent Homes Backlog funding in 2015/16 and a potential £53m has been added to the funding assumptions.
83. Both the Four Squares and Hawkstone WDS/HINE projects continue on site and will complete in 2015/16. The main Abbeyfield scheme, "Maydew", is now due to start on site in late 2016/17. The HINE allocation for Four Squares was increased to £28m following structural issues and the scope of works required to complete the scheme.
84. All the remaining programmed 2015/16 WDS district heating schemes are now expected to be committed this financial year or early 2016/17.
85. All high rise blocks with a substantial risk from the fire risk assessments have been completed as part of the FRA Programme. All the higher moderate risk high rise blocks are also complete except for works being completed to coincide the WDS programme. £2.3m has been allocated to complete substantial medium rise FRA works which are also being completed in 2015/16 alongside planned WDS works. Sidmouth has also been added to the programme.
86. 1,937 homes fell into non-decency at the start of 2015/16 meaning the Decency level fell from 65.3% at 2014/15 year end to 60.07% at the start of 2015/16. The decency level at the end of quarter 2 was 66.2%. A 90% decency target has been set for March 2016.

Bermondsey Spa

87. Approximately £787,000 is expected to be spent on Vauban and Neckinger Estates environmental works in 2015/16 but has yet to be committed. A budget of £393,000 has been brought forward from 2016/17.

Lakanal

88. Lakanal refurbishment works are expecting to spend around £3.2m in 2015/16 with works progressing in quarter 2 and onwards.

11,000 New Homes Programme & Hidden Homes – refurbishment

89. Five Hidden Homes were completed at the start of this year, with 2 Hidden homes currently on site and 6 with planning approval are being progressed using existing budgets.
90. Direct Delivery programme comprising of 8 sites are on site. Willow Walk will be the first newly built homes delivered as a result of this programme. The 54 short stay accommodation completed in quarter 2 with the 21 general needs housing scheduled to complete in quarter 3. These units are being funded through a mix of RTB Receipts, GLA grant funding, S106 Affordable housing fund and other capital funding.
91. Main construction works on seven other sites at Long Lane, Masterman House, Clifton Estate, Gatebeck and Southdown on the East Dulwich Estate, Cator Street and Nunhead Green site B started in January 2015. These works are due to complete in between January and September 2016. Enabling works at Sumner Road has also commenced with the main works due to commence in 2016. The expenditure has been re-profiled as there are forecast delays in some of these schemes taking spend into 2016/17.
92. The estimated cost of the works to these 7 sites is approximately £39m excluding Sumner Road. This is currently being funded from various funding streams; £27m from S106 Affordable Housing Fund, approved by the Planning Committee 14 July 2015. The balance is expected to be funded from a combination of other resources including GLA grant (Building the Pipeline) £1.9m, £4,350m from forecast sales; £8.7m from the reserved part of the RTB receipts set aside for new build and from other capital resources.
93. A further 13 schemes are being worked up for a planning application, but are not expected to start on site until 2016/17. There is some allowance of fees within the overall profile, however, there will not be significant spend within this financial year.

Summary Position

94. The provisional estimated cost of phase 1A and 1B (excluding Sumner Road) is £54m. The programme is forecasting to spend of £26m which is lower than the original £35m estimated for 2015/16 with 10m spent to the end of September.

East Dulwich Estate regeneration Programme

95. Void for Sale – cabinet agreed the sale of 50 voids to help finance the regeneration of the estate. Of that 50, 43 have been sold. A further 5 have been identified and, in order to achieve best value, require decoration to market standard prior to disposal. These works should take place in quarter 4.
- Drying Room Conversions - This consists of the conversion of 18 drying rooms in two phases for private sale. Phase 1 was completed in January with all 9 units created now sold. Phase 2 completed in August 2014, of which 7

have been sold and the other 2 are under offer. There is also an opportunity to convert a further 6 drying rooms with feasibility studies completed and the intention is to start works in quarter 4.

96. Badminton House - Refurbishment of an 11 unit block with a drying room conversion making a total of 12 units of which 3 will be for private sale and the remaining 9 for social rent. Works started in July 2014 and completed in June 2015.
97. Environmental Works – The environmental works programme has been decoupled from the health and safety works that are currently underway on the estate. However, the health and safety works have taken up a much larger proportion of the budget than initially anticipated, so more funding may be required.

Elmington Estate Regeneration

98. The refurbishment work Drayton House, Brisbane Street, Proctor House, Flatman House and Langland House have been completed.
99. The rehousing of tenants to achieve vacant possession for new build is still on track for Phase 3 with 1 tenant and 17 leaseholders remaining. The CPOs for 2 of the 3 sites has been confirmed. Confirmation of the third order is expected within quarter 3. Therefore, it is anticipated that a large number of the remaining households will be rehoused in quarter 4.
100. Landscaping works to the Benhill Road Nature Garden completed in March 2015.

Wooddene Regeneration Project

101. Diversion of pipework running across the Wooddene site was completed in December 2014.
102. Re-provision of a heat and hot water plant within the Wooddene energy centre to serve the Acorn Estate: Due to delays with start on site, handover of the energy centre has slipped from January to April 2016 and therefore the works are expected to start in 2016/17.

Southwark Regeneration in Partnership Programme

103. On 20 October 2015, cabinet approved the use of the GLA's London Development Panel to procure two development partners for a package of Southwark Regeneration in Partnership Programme sites over a 6 to 10 year period.
104. An initial budget of £2.5m was established from the Housing Investment Programme and the Regeneration and Development Reserve towards feasibility and legal costs. However, an additional budget of £2m is now required to meet the following costs:
 - Planning costs including technical surveys - £1.75m
 - Stakeholder consultation - £10,000
 - Procurement costs – including soft market testing - £40,000
 - Contingency/risk pot - £200,000

105. This additional budget requirement will be funded from the re-profiling of existing estate regeneration commitments within the Housing Investment Programme. This budget virement is reflected in Appendix C for cabinet approval. Officers are also reviewing the option of the above costs of progressing the scheme to development stage to be reimbursed to the council, in future, under the development agreement between the council and the development partners.

Risks on Council's Development and Refurbishment Projects

106. The current capital programmes across all departments relating to development and refurbishment projects are subject to an emerging risk. This relates to the significant overheating of the construction market, particularly in London, in terms of main contractor services, subcontractor capacity and supply of materials. This is impacting directly on both time and cost for projects currently underway. While this is largely out of the councils control the impact on cost and time of current market conditions needs to be given full consideration in both the feasibility and development stages of emerging projects.

Resource Re-profiling

107. The budgets across the capital programme were re-profiled at 2014/15 outturn based on the information available at that time. However, due to the size of the capital programme and the number of projects involved, it is inevitable that unforeseen delays can occur leading to some variation against planned expenditure. The capital programme will be subject to on-going review by service managers and the budgets will need to be re-profiled further during 2015/16 based on the latest information available on procurement and contract management issues.

Community impact statement

108. This report describes the current capital position on the council's capital programme. The projected expenditure reflects plans designed to have a beneficial impact on local people and communities, which will be considered at the time the services and programmes are agreed. It is important that resources are used efficiently and effectively to support the council's policies and objectives.
109. Each project within the capital programme will be considered with regard to its impact on age; disability; faith/religion; gender; race; ethnicity; sexual orientation; gender reassignment; marriage and civil partnership; pregnancy and maternity.
110. The council's capital programme is designed to deliver projects of value to local people.

Resource implications

111. This report forms part of the council's budget framework and outlines the current position on the capital programme.
112. Staffing resources are generally contained within the council's current establishments and where additional or specialist resources are needed these will be subject to separate reports.

Legal implications

113. The legal implications of this report are identified in the concurrent report of the director of law and democracy.

Financial implications

114. This report fully explores the financial implications of the capital programme for the general fund and the housing investment programme at quarter 2 of 2015/16. The report also presents an updated position on the refreshed capital programme over the period 2015/16 to 2024/25 on the predicted resources and expenditure across this period.

Consultation

115. Consultation on the overall programme has not taken place. However, each of the individual projects is subject to such consultation as may be required or desirable when developed. Some projects may require more extensive consultation than others, for example projects with an impact on the public realm. Projects funded by grant or s106 may require consultation as a condition of funding.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

116. The council has a duty to maintain a balanced budget throughout the year and, accordingly, members are required to regularly monitor the council's financial position. Section 28 of the Local Government Act 2003 imposes a duty on the council to monitor its budgets throughout the financial year, using the same figures for reserves as were used in the original budget calculations. The council must take necessary appropriate action to deal with any deterioration in the financial position revealed by the review.

117. The capital programme satisfies the council's duty under the Local Government Act 1999 which requires it to make arrangement to secure the continuous improvement in the way its functions are exercised, by having regards to the combination of economy, efficiency and effectiveness.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Quarter 1 Capital Monitoring for 2015/16 and Capital Programme Refresh for 2015/16-2024/25 Report	Southwark Council Finance and corporate services 160 Tooley Street London SE1 2QH	Jay Nair, Senior Finance Manager, Finance and Governance.
Link: Quarter 1 capital monitoring and capital programme refresh report		

APPENDICES

No.	Title
Appendix A	General fund summary monitoring position at quarter 2 2015/16
Appendix B	Housing investment programme summary monitoring position at quarter 2 2015/16
Appendix C	Budget virements and variations at quarter 2 2015/16
Appendix D	General fund programme detail at quarter 2 2015/16

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Finance, Modernisation and Performance	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Jay Nair, Senior Finance Manager, Finance and Governance	
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CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director for Finance and Governance	N/a	N/a
Cabinet Member	Yes	Yes
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